

# **Debtors' Ex. 58**



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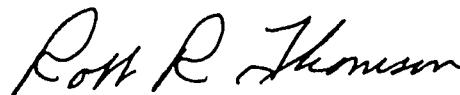
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I, Robb Roy Thomson, Executive Vice President of Equity Publishing Corporation, DO HEREBY CERTIFY: That the copies of the Acts and Resolutions of the First Regular Session and the First, Second, Third, Fourth and Fifth Special Sessions of the Tenth Legislature of the Commonwealth of Puerto Rico, January 18, 1985 to December 20, 1985, herein inserted, are correct transcripts of the text of the original of such Acts and have been checked against the original of such Acts submitted to Equity Publishing Corporation by the Department of State.

Given under my hand at Orford, New Hampshire, this 4th day of December in the year of our Lord one thousand nine hundred and eighty-six.

EQUITY PUBLISHING CORPORATION



Executive Vice President

**Act No. 1 4th SPECIAL SESSION—10th ASSEMBLY Oct. 8**

of Act No. 1 of August 12, 1985,<sup>36</sup> may avail themselves of the benefits of Section 11C(a) of this act<sup>37</sup> without having to comply with the remaining requirements of said Section.

*Approved October 8, 1985.*

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**Refinancing Bonds of the Commonwealth—Authorization  
(H.B. 585)**

[No. 2]

*[Approved October 10, 1985]*

**AN ACT**

To authorize the issue of refinancing bonds of the Commonwealth of Puerto Rico to refinance all or any part of any public improvement bonds which are hereby authorized to be refinanced by this act and to exempt said refinancing bonds and interest thereon from the payment of taxes.

**STATEMENT OF MOTIVES**

Through the years the Commonwealth of Puerto Rico has issued bonds to finance its public works. Occasionally it has been necessary to issue said bonds at times when interest rates in the municipal bond market have been high compared to the currently prevailing rates in said market.

When interest rates decline in the municipal bond market, the refinancing of certain outstanding bonds can be used to reduce, on a present value basis, the aggregate sum of principal and interest payable by the issuer.

The Legislature of Puerto Rico has determined that it is in the best public interest of the Commonwealth of Puerto Rico to reduce, on a present value basis, the aggregate amount of principal and interest payable on bonds issued by the Commonwealth of Puerto Rico, for a more efficient use of its resources.

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<sup>36</sup> Laws of Puerto Rico 1985, p. 811.

<sup>37</sup> 13 L.P.R.A. § 3011C(a).

**Oct. 10 REFINANCING BONDS—AUTHORIZATION Act No. 2**

*Be it enacted by the Legislature of Puerto Rico:*

**Section 1.—**

The Secretary of the Treasury is hereby authorized to issue refinancing bonds of the Commonwealth of Puerto Rico for the purposes of refinancing all or any part of its outstanding bonds and to pay any costs related to the sale and issue of such refinancing bonds.

**Section 2.—**

As used in this act the following terms shall mean:

(a) "Outstanding bonds" shall mean any public improvement bonds of the Commonwealth of Puerto Rico, and the interest coupons, if any, pertaining thereto, which have heretofore been issued or which are hereafter issued, which are obligations of the Commonwealth of Puerto Rico for which the good faith, credit and taxing power of the Commonwealth of Puerto Rico have been pledged for the prompt payment of the principal thereof and interest thereon.

(b) "Government obligations" shall mean direct obligations of, or such obligations whose principal, and interest thereon which are unconditionally guaranteed by the United States of America, and any certificates or any other evidences of a right to receive the payments of the principal, or interest on such obligations.

(c) "Refinancing" shall mean providing for the payment of any outstanding bonds at or prior to maturity or on its redemption date, as provided in this act.

(d) "Refinancing bonds" shall mean the bonds of the Commonwealth of Puerto Rico, issued under the provisions of this act.

**Section 3.—**

(a) The refinancing bonds to be issued from time to time under the provisions of this act shall be authorized by a Resolution or Resolutions to be adopted by the Secretary of the Treasury and approved by the Governor. Said bonds shall be designated as "Public Improvement Refinancing Bonds of the Commonwealth of Puerto Rico, Series \_\_\_\_\_", with a year, a letter, or both inserted to identify the particular issue.

(b) The refinancing bonds whose issue is authorized under the provisions of this act shall be dated, shall mature on such date or dates not exceeding thirty years from their date or dates, and shall bear interest at such rate or rates not exceeding the maximum rate permitted by law at the time of issuance, shall be redeemable before their maturity at the option of the Secretary of the Treasury at such

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times and prices as he may determine, shall be in such denominations, and in such form or forms, with interest coupons or registered, or both, with such registration, conversion and reconversion privileges, shall be executed in such manner, shall be payable in such places inside or outside of the Commonwealth of Puerto Rico, shall be awarded in such manner, shall have such amortization requirements, and shall contain such other terms and conditions, which shall be provided by the Authorizing Resolution or Resolutions and approved by the Governor prior to the issuing of said refinancing bonds.

(c) The refinancing bonds authorized by this act may be sold from time to time at public or private sale, for such price or prices which the Secretary of the Treasury may determine with the approval of the Governor, to be in the best interests of the Commonwealth of Puerto Rico, but such price or prices shall never be lower than the price established by law at their time of issue.

(d) Whenever any official whose signature or facsimile thereof appears on any refinancing bond or coupon authorized by this act is no longer in office before the delivery of such bonds, such signature or such facsimile shall, nevertheless, be valid and sufficient, it being considered for all legal purposes as if such official had remained in office until such delivery, besides, any refinancing bond or coupon may bear the signature or facsimile of such persons who at the time said refinancing bond or coupon is executed, are the officials designated to sign said bond even though at the date of the bond or coupon such persons may not have held said office.

(e) The refinancing bonds issued pursuant to the provisions of this act shall be deemed to be negotiable instruments under the laws of the Commonwealth of Puerto Rico.

(f) Refinancing bonds may be issued subject to the following provisions:

(1) They may be issued on any date prior to the maturity of the outstanding bonds to be refinanced thereby;

(2) each issue of refinancing bonds may be issued in a sufficient amount to pay or to provide for the payment of the principal of the outstanding bonds to be refinanced at maturity or on redemption, any redemption premium and any interest accrued or to accrue as of the date of payment of such outstanding bonds, the costs of issuing the refinancing bonds and the expenses, if any, of paying the outstanding bonds; and

(3) no refinancing bonds shall be issued unless the Secretary of the Treasury shall have first determined that the present worth of

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the aggregate principal and interest on the refinancing bond is less than the present worth of the aggregate principal and interest on the outstanding bonds to be refinanced; for the purposes of this limitation, present worth shall be computed using a discount rate equal to the yield on such refinancing bonds; and the yield shall be computed using an actuarial method based upon a 360-day year with semiannual compounding on the prices paid to the Commonwealth of Puerto Rico by the initial purchasers of such refinancing bonds.

**Section 4.—**

The Secretary of the Treasury is hereby authorized to negotiate and execute with any bank, investment banking firm or other financial institution, with the approval of the Governor, such loan agreements, purchase agreements or other financing agreements as may be required for the sale of refinancing bonds, under such terms and conditions as the Secretary of the Treasury may determine to be in the best interests of the Commonwealth of Puerto Rico.

**Section 5.—**

The good faith, credit and taxing power of the Commonwealth of Puerto Rico are hereby irrevocably pledged for the prompt payment of the principal and interest on the refinancing bonds issued under the provisions of this act. The Secretary of the Treasury is hereby authorized and directed to pay the principal and interest on such refinancing bonds as the same shall become due and payable, from any funds available for such purpose in the Treasury of the Commonwealth of Puerto Rico during the fiscal year in which such payment is due. The provisions contained in this act regarding the payment of the principal and interest on such refinancing bonds shall be considered a continuous appropriation for the Secretary of the Treasury to make such payments, even though no specific appropriations are made for such purposes. Said payments shall be made pursuant to the provisions of the laws of the Commonwealth of Puerto Rico that regulate the disbursement of public funds.

The Secretary of the Treasury is hereby authorized and directed to state in the refinancing bonds that the good faith, credit and taxing power of the Commonwealth of Puerto Rico are pledged for the payment thereof.

**Section 6.—**

(a) Proceeds (including any premium but excluding accrued interest) derived from the sale of each issue of refinancing bonds shall be applied, together with any other moneys legally available therefor, including other moneys, if any, deposited in the Special

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Fund for the Amortization and Redemption of General Obligations Evidenced by Bonds and Notes, to the payment of the principal and redemption premium, if any, and interest accrued on the outstanding bonds to be refinanced by the refinancing bonds, and to the payment of the expenses authorized by this act, or, to the extent not then required for such payment, shall be deposited in trust with the Secretary of the Treasury, together with any other moneys legally available therefor, to be held separate from all other funds of the Commonwealth of Puerto Rico, or, by order of the Secretary of the Treasury, in trust with one or more trustees or escrow agents, which shall be trust companies, or national or state banks, or banks organized under the laws of the Commonwealth of Puerto Rico, having powers to act as trustees, located either within or without the Commonwealth of Puerto Rico. Proceeds of the bonds or moneys deposited in trust with the Secretary of the Treasury, or with one or more trustees or escrow agents, shall be applied solely to the payment of the principal when mature and the redemption premium if any, and interest on the balance of the bonds to be refinanced. Proceeds of the bonds, or moneys thus held by the Secretary of the Treasury, or deposited with trustees or escrow agents, may be invested in Government Obligations which are not subject to redemption prior to their maturity, except at the option of their holder. Except as provided in subsection (b) of this section, neither the Government Obligations nor moneys thus deposited with the Secretary of the Treasury, or with trustees or escrow agents, shall be withdrawn or used for any purpose other than the payment of the principal and the redemption premium if any, and interest on the balance of the bonds to be refinanced by the refinancing bonds; and shall be held in trust for such purposes, except that any moneys received from principal or interest payments on Government Obligations deposited with the Secretary of the Treasury, or with trustees or escrow agents: (1) to the extent that such moneys will not be required at any time for such purpose, shall be paid to the Commonwealth of Puerto Rico as received, and (2) to the extent such moneys will be required for such purpose at a future date, to the extent practicable and legally-permissible, shall be reinvested in Government Obligations maturing on such dates and in amounts sufficient to pay the principal and redemption premium if any, when due, and interest on the balance of the outstanding bonds, and investment income from such reinvestments, to the extent not required for the payment of the outstanding bonds, shall be paid to the Commonwealth of Puerto Rico as received.

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(b) Notwithstanding any provision to the contrary contained in this section:

(1) the Secretary of the Treasury may, and the trustees or escrow agents shall, if so directed by the Secretary of the Treasury, apply moneys on deposit pursuant to the provisions of this Section and redeem or sell the Government Obligations so deposited, and apply the proceeds thereof to: (i) the purchase of the outstanding bonds which were refinanced by such moneys and Government Obligations on deposit, and immediately thereafter cancel all the outstanding bonds so purchased, or (ii) the purchase of other Government Obligations; except that the moneys and Government Obligations on deposit after the purchase and cancellation of the refinanced bonds and the purchase of other Government Obligations, shall be sufficient to pay the principal and redemption premium if any, when due, and interest on all the other outstanding bonds for the payment of which such moneys and Government Obligations were deposited; and

(2) if on any date, as a result of the purchase and cancellation of outstanding bonds or the purchase of other Government Obligations as provided in this subsection, the total amount of moneys and Government Obligations remaining in deposit exceeds the total amount required to pay the principal and redemption premium if any, when due, and interest on such remaining outstanding bonds, the Secretary of the Treasury may pay, and the trustees or escrow agents shall pay, if so directed by the Secretary of the Treasury, the amount of such excess to the Commonwealth of Puerto Rico.

(c) Any amounts held by the Secretary of the Treasury in a separate fund for the payment of the principal and redemption premium, if any, and interest on outstanding bonds to be refinanced, as provided in this Section, may be transferred by the Secretary of the Treasury to be deposited with one or more trustees or escrow agents, as provided in this Section, or held by the Secretary of the Treasury as provided in this Section, which shall be separate and apart from all other funds of the Commonwealth of Puerto Rico, to be applied to the payment of the principal and redemption premium if any, when due, and interest to become due on such outstanding bonds, as provided in this Section, or be applied by the Secretary of the Treasury to the payment of the principal and the redemption premium when due, and interest on refinancing bonds issued under the provisions this act to refinance such outstanding bonds.

(d) The Secretary of the Treasury is hereby authorized to enter into contracts with one or more trust companies or national, state

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banks or banks organized under the laws of the Commonwealth of Puerto Rico, within or without the Commonwealth of Puerto Rico, to act as trustees or escrow agents as provided in this Section, under the terms and conditions as shall be approved by the Secretary of the Treasury.

**Section 7.—**

The moneys received from accrued interest upon the delivery of and payment for any refinancing bonds shall be deposited in the fund known as "Special Fund for the Amortization and Redemption of General Obligations Evidenced by Bonds and Notes".

**Section 8.—**

Outstanding bonds which have been refinanced pursuant to this act and the proceeds of which have been used for the purposes established in Section 6 of this act, shall not be deemed to be outstanding for the purposes of determining the debts limitation established in Section 2 of Article VI of the Constitution of Puerto Rico.<sup>38</sup>

**Section 9.—**

An amount not to exceed two (2) percent of the total principal of any issue of refinancing bonds, is hereby appropriated from the proceeds of such bonds for the payment of the expenses incurred in relation to the issue and sale of such refinancing bonds.

**Section 10.—**

All refinancing bonds issued under the provisions of this act, as well as the interest accrued thereon, shall be exempt from the payment of all taxes levied by the Commonwealth of Puerto Rico and its municipalities.

**Section 11.—**

At the beginning of each Regular Session the Secretary of the Treasury shall submit to the Governor and the Legislature, a detailed report of all transactions executed under the provisions of this act.

**Section 12.—**

This act shall not be construed as repealing or amending any other law of the Legislature of Puerto Rico authorizing the issuing of bonds of the Commonwealth of Puerto Rico. The refinancing bonds authorized under this act shall be in addition to any other previously-authorized bonds of the Commonwealth of Puerto Rico.

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<sup>38</sup> L.P.R.A. preceding Title 1.

**Oct. 10 COMMONWEALTH AND MUNICIPALITIES Act No. 3**

**Section 13.—**

The approval of this act constitutes sufficient authorization for the Secretary of the Treasury to issue refinancing bonds of the Commonwealth of Puerto Rico during fiscal year 1985-86. Any future issue in any subsequent years must be authorized by a Joint Resolution of the Legislature.

Section 14.—This act shall take effect immediately after its approval.

*Approved October 10, 1985.*

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**Commonwealth and Municipalities—Bonds, Notes and Other Obligations; Maximum Interest; Amendment**

(H.B. 586)

[No. 3]

*[Approved October 10, 1985]*

**AN ACT**

To amend Section 1 of Act No. 14 of April 17, 1972, as amended, to provide for the substitution of the maximum nominal interest rate by the effective maximum annual rate, accrued by bonds, notes and other obligations of the Commonwealth of Puerto Rico, its municipalities, political subdivisions, public corporations and other instrumentalities; eliminate limitations on discounts and/or the minimum price for which such bonds, notes and other obligations may be sold; and to establish that the bonds, notes and other obligations of the Commonwealth of Puerto Rico, its municipalities, political subdivisions, public corporations and other instrumentalities may be issued at an effective interest rate, which when computed on an actuarial base shall not exceed twelve per cent (12%) per annum.

*Be it enacted by the Legislature of Puerto Rico:*

Section 1.—Section 1 of Act No. 14 of April 17, 1972, as amended,<sup>39</sup> is hereby amended to read as follows:

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<sup>39</sup> 13 L.P.R.A. § 56.